Backgrounder

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Center for Immigration Studies

The Libertarian Case for Free Trade and Restricted Immigration

By Hans-Hermann Hoppe

It is frequently maintained that "free trade" belongs to "free immigration" as "protectionism" does to "restricted immigration." That is, the claim is made that while it is not impossible that someone might combine protectionism with free immigration, or free trade with restricted immigration, these positions are intellectually inconsistent, and thus erroneous. Hence, insofar as people seek to avoid errors, they should be the exception rather than the rule. The facts, to the extent that they have a bearing on the issue, appear to be consistent with this claim. As the 1996 Republican presidential primaries indicated, for instance, most professed free traders are advocates of relatively (even if not totally) free and non-discriminatory immigration policies, while most protectionists are proponents of highly restrictive and selective immigration policies.

Appearances to the contrary notwithstanding, I will argue that this thesis and its implicit claim are fundamentally mistaken. In particular, I will demonstrate that free trade and restricted immigration are not only perfectly consistent, but even mutually reinforcing policies. That is, it is not the advocates of free trade and restricted immigration who are wrong, but rather the proponents of free trade and free immigration. In thus taking the "intellectual guilt" out of the free-trade-and-restricted-immigration position and putting it where it actually belongs, I hope to promote a change in the present state of public opinion and facilitate substantial political realignment.

The Case for Free Trade

Since the days of Ricardo, the case for free trade has been logically unassailable. For the sake of argumentative completeness, it would be useful to briefly summarize it. The restatement will be in the form of a *reductio ad absurdum* of the protectionist thesis as proposed most recently by Pat Buchanan.

The central argument advanced in favor of protectionism is one of domestic job protection. How can American producers who pay their workers $10 per hour possibly compete with Mexican producers paying $1 or less per hour? They cannot, and American jobs will be lost unless import tariffs are imposed to insulate the American wages from Mexican competition. Free trade is possible only between countries that have equal wage rates, and thus that compete "on a level playing field." As long as this is not the case — as with the U.S. and Mexico — the playing field must be made level by means of tariffs. As for the consequences of a policy of domestic job protection, Buchanan and other protectionists claim that it will lead to domestic strength and prosperity. In support of their claim, examples are cited of free-trade countries that lost their once-preeminent international economic position, such as 19th-century England, as well as of protectionist countries which gained such preeminence, such as 19th-century America.

This or any other alleged empirical proof of the protectionist thesis must be rejected out of hand as containing a *post hoc, ergo propter hoc* fallacy. The

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inference drawn from historical data is no more convincing than if one were to conclude from the observation that rich people consume more than poor people that it must be consumption that makes a person rich. Indeed, protectionists such as Buchanan characteristically fail to understand what is actually involved in defending their thesis. Any argument in favor of international protectionism is simultaneously an argument in favor of inter-regional and inter-local protectionism. Just as different wage rates exist between the U.S. and Mexico, Haiti, or China, for instance, such differences also exist between New York and Alabama, or between Manhattan, the Bronx, and Harlem. Thus, if it were true that international protectionism could make an entire nation prosperous and strong, it must also be true that inter-regional and inter-local protectionism could make regions and localities prosperous and strong. In fact, one may even go further. If the protectionist argument were right, it would amount to an indictment of all trade, and a defense of the thesis that everyone would be the most prosperous and strongest if he never traded with anyone else and remained in self-sufficient isolation. Certainly, in this case, no one would ever lose his job, and unemployment due to "unfair" competition would be reduced to zero. In thus deducing the ultimate implication of the protectionist argument, its complete absurdity is revealed, for such a "full-employment society" would not be prosperous and strong; it would be composed of people who, despite working from dawn to dusk, would be condemned to destitution, or even death from starvation.

International protectionism, while obviously less destructive than a policy of interpersonal or inter-regional protectionism, would result in precisely the same effect and constitute a sure recipe for America's further economic decline. To be sure, some American jobs and industries would be saved, but such savings would come at a price. The standard of living and the real income of the American consumers of foreign products would be forcibly reduced. The cost to all U.S. producers who employ the protected industry's products as their own input factors would be raised, and they would be rendered internationally less competitive. Moreover, what could foreigners do with the money they earned from their U.S. imports? They could either buy American goods, or they could leave it here and invest it, and if their imports were stopped or reduced, they would buy fewer American goods or invest smaller amounts. Hence, as a result of saving a few inefficient American jobs, a far greater number of efficient American jobs would be destroyed or prevented from coming into existence.

Thus, it is nonsense to claim that England lost its former pre-eminence because of its free-trade policies. It lost its position *despite* its free-trade policy, and *because* of the socialist policies which later took hold. Likewise, it is nonsense to claim that the rise of the U.S. to economic preeminence in the course of the 19th century was due to its protectionist policies. The U.S. attained this position *despite* its protectionism, and *because* of its unrivaled internal laissez-faire policies. Indeed, America's current economic decline, which Buchanan wishes to reverse, is the result not of her alleged free-trade policies, but of the circumstance that America, in the course of the 20th century, has gradually adopted the same socialist policies that earlier ruined England.

Trade and Immigration

Given the case for free trade, we will now develop the case for immigration restrictions to be combined with free-trade policies. More specifically, we will build a successively stronger case for immigration restrictions: from the initial weak claim that free trade and immigration restrictions can be combined and do not exclude each other to the final strong claim that the principle underlying free trade actually requires such restrictions.

From the outset, it must be emphasized that not even the most restrictive immigration policy or the most exclusive form of segregationism has anything to do with a rejection of free trade and the adoption of protectionism. From the fact that one does not want to associate with or live in the neighborhood composed of Mexicans, Haitians, Chinese, Koreans, Germans, Catholics, Moslems, Hindus, etc., it does not follow that one does not want to trade with them from a distance. Moreover, even if it were the case that one's real income would rise as a result of immigration, it does not follow that immigration must be considered "good," for material wealth is not the only thing that counts. Rather, what constitutes "welfare" and "wealth" is *subjective*, and one might prefer lower material living standards and a greater distance from certain other people over higher material living standards and a smaller distance. It is precisely the absolute voluntariness of human association *and* separation — the absence of any form of forced integration — which makes peaceful relationships — free trade — between racially, ethnically, linguistically, religiously, or culturally distinct people possible.

The relationship between trade and migration is one of elastic substitutibility (rather than rigid exclusivity): the more (or less) you have of one, the less

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(or more) you need of the other. Other things being equal, businesses move to low wage areas, and labor moves to high wage areas, thus effecting a tendency toward the equalization of wage rates (for the same kind of labor) as well as the optimal localization of capital. With political borders separating high- from low-wage areas, and with national (nation-wide) trade and immigration policies in effect, these normal tendencies — of immigration and capital export — are weakened with free trade and strengthened with protectionism. As long as Mexican products — the products of a low-wage area — can freely enter a high-wage area such as the U.S., the incentive for Mexican people to move to the U.S. is reduced. In contrast, if Mexican products are prevented from entering the American market, the attraction for Mexican workers to move to the U.S. is increased. Similarly, when U.S. producers are free to buy from and sell to Mexican producers and consumers, capital exports from the U.S. to Mexico will be reduced; however, when U.S. producers are prevented from doing so, the attraction of moving production from the U.S. to Mexico is increased.

Similarly, as the *foreign* trade policy of the U. S. affects immigration, so does its *domestic* trade policy. Domestic free trade is what is typically referred to as *laissez-faire* capitalism. In other words, the national government follows a policy of non-interference with the voluntary transactions between domestic parties (citizen) regarding their private property. The government's policy is one of helping to protect its citizens and their private property from domestic aggression, damage, or fraud (exactly as in the case of foreign trade and aggression). If the U.S. followed strict domestic free-trade policies, immigration from low-wage regions such as Mexico would be reduced, while when it pursues "social welfare" policies, immigration from low-wage areas becomes more attractive.

"Open Borders," Invasion, and Forced Integration

Insofar as a high-wage area such as the U.S. engaged in unrestricted free trade, internationally as well as domestically, the immigration pressure from low-wage countries would be kept low or reduced, and hence, the question as to what to do about immigration would be less urgent. On the other hand, insofar as the U.S. engaged in protectionist policies against the products of low-wage area and in welfare policies at home, immigration pressure would be kept high or even raised, and the immigration question would assume great importance in public debate.

Obviously, the world's major high-wage regions — North America and Western Europe — are presently in this latter situation, in which immigration has become an increasingly urgent public concern. In light of steadily mounting immigration pressure from the world's low-wage regions, three general strategies of dealing with immigration have been proposed: unconditional free immigration, conditional free immigration, and restrictive immigration. While our main concern will be with the latter two alternatives, a few observations regarding the unconditional free immigration position are appropriate, if only to illustrate the extent of its intellectual bankruptcy.

> Free Trade and restricted immigration are not only perfectly consistent, but even mutually reinforcing policies.

According to proponents of unconditional free immigration, the U.S. *qua* high-wage area would invariably benefit from free immigration; hence, it should enact a policy of open borders, regardless of any existing conditions, i.e., even if the U.S. were ensnarled in protectionism and domestic welfare. Yet surely, such a proposal strikes a reasonable person as fantastic. Assume that the U.S., or better still Switzerland, declared that there would no longer be any border controls, that anyone who could pay the fare might enter the country, and, as a resident then be entitled to every "normal" domestic welfare provision. Can there be any doubt how disastrous such an experiment would turn out in the present world? The U.S., and Switzerland even faster, would be overrun by millions of third-world immigrants, because life on and off American and Swiss public streets is comfortable compared to life in many areas of the third world. Welfare costs would skyrocket, and the strangled economy disintegrate and collapse, as the subsistence fund — the stock of capital accumulated in and inherited from the past—was plundered. Civilization in the U.S. and Switzerland would vanish, just as it once did from Rome and Greece.

Since unconditional free immigration must be regarded as a prescription for national suicide, the typical position among free traders is the alternative of conditional free immigration. According to this view, the U.S. and Switzerland would have to first return to unrestricted free

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trade and abolish all tax-funded welfare programs, and only then should they open their borders to everyone who wanted to come. In the meantime, while the welfare state is still in place, immigration would have to be made subject to the condition that immigrants are excluded from domestic welfare entitlements.

There is no analogy between free trade and free immigration.

While the error involved in this view is less obvious and the consequences less dramatic than those associated with the unconditional free immigration, the view is nonetheless erroneous and harmful. To be sure, the immigration pressure on Switzerland and the U.S. would be reduced if this proposal were followed, but it would not disappear. Indeed, with free-trade policies, both foreign and domestic, wage rates within Switzerland and the U.S. may further increase relative to those at other locations (with less enlightened economic policies). Hence, the attraction of both countries might even increase. In any event, some immigration pressure would remain, so some form of immigration policy would have to exist. Do the principles underlying free trade imply that this policy must be one of conditional "free immigration?" They do not. There is no analogy between free trade and free immigration, and restricted trade and restricted immigration. The phenomena of trade and immigration are different in a fundamental respect, and the meaning of "free" and "restricted" in conjunction with both terms is categorically different. People can move and migrate; goods and services, of themselves, cannot.

Put differently, while someone can migrate from one place to another without anyone else wanting him to do so, goods and services cannot be shipped from place to place unless both sender and receiver agree. Trivial as this distinction may appear, it has momentous consequences. For *free* in conjunction with trade then means trade by invitation of private households and firms only; and *restricted* trade does not mean protection of households and firms from uninvited goods or services, but invasion and abrogation of the right of private households and firms to extend or deny invitations to their own property. In contrast, *free* in conjunction with immigration does not mean immigration by invitation of individual households and firms, but unwanted invasion or forced integration; and *restricted* immigration actually means, or at least can mean, the protection of private households and firms from unwanted invasion and forced integration. Hence, in advocating free trade and restricted immigration, one follows the same principle: requiring an invitation for people as for goods and services.

In contrast, the advocate of free trade and free markets who adopts the (conditional) free immigration position is involved in intellectual inconsistency. Free trade and markets mean that private property owners may receive or send goods from and to other owners without government interference. The government stays inactive vis-à-vis the process of foreign and domestic trade, because a willing (paying) recipient exists for every good or service sent, and hence all locational changes, as the outcome of agreements between sender and receiver, must be deemed mutually beneficial. The government's sole function is that of maintaining the trading process (by protecting citizen and domestic property).

However, with respect to the movement of people, the same government will have to do more in order to fulfill its protective function than merely permit events to take their own course, because people, unlike products, possess a will and can migrate. Accordingly, population movements, unlike product shipments, are not *per se* mutually beneficial events because they are not always — necessarily and invariably — the result of an agreement between a specific receiver and sender. There can be shipments (immigrants) without willing domestic recipients. In this case, immigrants are foreign invaders, and immigration represents an act of invasion. Surely, a government's basic protective function includes the prevention of foreign invasions and the expulsion of foreign invaders. Just as surely then, in order to do so and subject immigrants to the same requirement as imports (of having been invited by domestic residents), this government cannot rightfully allow the kind of free immigration advocated by most free traders.

Just imagine again that the U.S. and Switzerland opened their borders to whomever wanted to come — provided only that immigrants be excluded from all welfare entitlements, which would be reserved for U.S. and Swiss citizens. Apart from the sociological problem of thus creating two distinct classes of domestic residents and thus causing severe social tensions, there is also little doubt about the outcome of this experiment in the present world. The result would be less drastic and less immediate than under the scenario of unconditional free immigration, but it too would amount to a massive foreign invasion and ultimately lead to the destruction of American and Swiss civilization. Thus, in order to fulfill its primary function as protector of its citizens

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and their domestic property, a high-wage-area government cannot follow an immigration policy of laissez-passer, but must engage in restrictive measures.

The Anarcho-Capitalist Model

From the recognition that proponents of free trade and markets cannot advocate free immigration without falling into inconsistency and contradiction, and hence, that immigration must — logically — be restricted, it is but a small step to the further recognition of *how* it must be restricted. As a matter of fact, all high-wage-area governments presently restrict immigration in one way or another. Nowhere is immigration "free," unconditionally or conditionally. Yet the restrictions imposed on immigration by the U.S. and by Switzerland, for instance, are quite different.

What restrictions *should* then exist? Or, more precisely, what immigration restrictions is a free trader and free marketer logically compelled to uphold and promote? The guiding principle of a high-wage-area country's immigration policy follows from the insight that immigration, to be free in the same sense as trade is free, must be *invited immigration*. The details follow from the further elucidation and exemplification of the concept of invitation *vs.* invasion and forced integration.

For this purpose, it is necessary to assume first, as a conceptual benchmark, the existence of what political philosophers have described as a private property anarchy, anarcho-capitalism, or ordered anarchy: all land is privately owned, including all streets, rivers, airports, harbors, etc. With respect to some pieces of land, the property title may be unrestricted, that is, the owner is permitted to do with his property whatever he pleases as long as he does not physically damage the property of others. With respect to other territories, the property title may be more or less restricted. As is currently the case in some developments, the owner may be bound by contractual limitations on what he can do with his property (restrictive covenants, voluntary zoning), which might include residential rather than commercial use, no buildings more than four stories high, no sale or rent to unmarried couples, smokers, or Germans, for instance.

Clearly, in this kind of society, there is no such thing as freedom of immigration, or an immigrant's right of way. What does exist is the freedom of independent private property owners to admit or exclude others from their own property in accordance with their own restricted or unrestricted property titles. Admission to some territories might be easy, while to others it might be nearly impossible. Moreover, admission to one party's property does not imply the "freedom to move around," unless other property owners have agreed to such movements. There will be as much immigration or non-immigration, inclusivity or exclusivity, desegregation or segregation, non-discrimination or discrimination as individual owners or owners associations desire.

> In advocating free trade and restriced immigration, one follows the same principle: requiring an invitation for people as for goods and services.

The reason for citing the model of an anarcho-capitalist society is that by definition no such thing as forced integration (uninvited migration) is possible (permitted) within its framework. Under this scenario, no difference between the physical movement of goods and the migration of people exists. As every product movement reflects an underlying agreement between sender and receiver, so all movements of immigrants into and within an anarcho-capitalist society are the result of an agreement between the immigrant and one or a series of receiving domestic property owners. Hence, even if the anarcho-capitalist model is ultimately rejected — and if for realism's sake the existence of a government and of "public" (in addition to private) goods and property is assumed — it brings into clear relief what a government's immigration policy would have to be, if and insofar as this government derived its legitimacy from the sovereignty of the "people" and was viewed as the outgrowth of an agreement or "social contract" (as is the case with all modern, post-monarchical governments, of course). A "popular" government which assumed as its primary task the protection of its citizens and their property (the production of domestic security) would surely want to preserve, rather than abolish, this no-forced-integration feature of anarcho-capitalism!

In order to realize what this involves, it is necessary to explain how an anarcho-capitalist society is altered by the introduction of a government, and how this affects the immigration problem. Since in an anarcho-capitalist society there is no government, there is no clear-cut distinction between inlanders (domestic citizens) and foreigners. This distinction appears only with the establishment of a government. The territory which a government's power extends over then becomes inland, and everyone residing outside of this territory becomes a foreigner. State borders (and passports), as distinct from private property borders (and titles to

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property), come into existence, and immigration takes on a new meaning. Immigration becomes immigration by foreigners across state borders, and the decision as to whether or not a person should be admitted no longer rests exclusively with private property owners or associations of such owners but with the government *qua* domestic security producer. Now, if the government excludes a person while there exists a domestic resident who wants to admit this very person onto his property, the result is forced exclusion; and if the government admits a person while there exists no domestic resident who wants to have this person on his property, the result is forced integration.

Moreover, hand in hand with the institution of a government comes the institution of public property and goods, that is, of property and goods owned collectively by all domestic residents and controlled and administered by the government. The larger or smaller the amount of public-government ownership, the greater or lesser will be the potential problem of forced integration. Consider a socialist society like the former Soviet Union or East Germany, for example. All factors of production, including all land and natural resources, are publicly owned. Accordingly, if the government admits an uninvited immigrant, it potentially admits him to any place within the country; for without private land ownership, there exist no limitations on his internal migrations other than those decreed by government. Under socialism, therefore, forced integration can be spread everywhere and thus immensely intensified. (In fact, in the Soviet Union and East Germany, the government could quarter a stranger in someone else's private house or apartment. This measure — and the resulting high-powered forced integration — was justified by the "fact" that all private houses rested on public land.)

Socialist countries will not be high-wage areas, of course, or at least will not remain so for long. Their problem is not immigration but emigration pressure. The Soviet Union and East Germany prohibited emigration and killed people for trying to leave the country. However, the problem of the extension and intensification of forced integration persists outside of socialism. To be sure, in non-socialist countries such as the U.S., Switzerland, and the Federal Republic of Germany, which *are* favorite immigration destinations, a government-admitted immigrant could not move just anywhere. The immigrant's freedom of movement would be severely restricted by the extent of private property, and private land ownership in particular. Yet, by proceeding on public roads, or with public means of transportation, and in staying on public land and in public parks and buildings, an immigrant can potentially cross every domestic resident's path, even move into anyone's immediate neighborhood and practically land on his very doorsteps. The smaller the quantity of public property, the less acute the problem will be. But as long as there exists *any* public property, it cannot be entirely escaped.

Correction and Prevention

A popular government that wants to safeguard its citizens and their domestic property from forced integration and foreign invaders has two methods of doing so, a corrective and a preventive one. The corrective method is designed to ameliorate the effects of forced integration once the event has taken place (and the invaders are there). As indicated, to achieve this goal, the government must reduce the quantity of public property as much as possible. Moreover, whatever the mix of private and public property, the government must uphold — rather than criminalize — any private property owner's right to admit *and* exclude others from his property. If virtually all property is owned privately and the government assists in enforcing private ownership rights, then uninvited immigrants, even if they succeeded in entering the country, would not likely get much farther.

The more completely this corrective measure is carried out (the higher the degree of private ownership), the less there will be a need for protective measures, such as border defense. The cost of protection against foreign invaders along the U.S.–Mexico border, for instance, is comparatively high, because for long stretches no private property on the U.S. side exists. However, even if the cost of border protection can be lowered by means of privatization, it will not disappear as long as there are substantial income and wage differentials between high- and low-wage territories. Hence, in order to fulfill its basic protective function, a high-wage-area government must also be engaged in preventive measures. At all ports of entry and along its borders, the government, as trustee of its citizens, must check all newly arriving persons for an entrance ticket — a valid invitation by a domestic property owner — and everyone not in possession of such a ticket will have to be expelled at his own expense.

Valid invitations are contracts between one or more private domestic recipients, residential or commercial, and the arriving person. *Qua* contractual admission, the inviting party can dispose only of his own private property. Hence, the admission implies negatively — similarly to the scenario of conditional free immigration — that the immigrant is excluded from all

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publicly funded welfare. Positively, it implies that the receiving party assumes legal responsibility for the actions of his invitee for the duration of his stay. The inviter is held liable to the full extent of his property for any crimes the invitee commits against the person or property of any third party (as parents are held accountable for the crimes of their offspring as long as they are members of the parental household). This obligation, which implies practically speaking that inviters will have to carry liability insurance for all of their guests, ends once the invitee has left the country, or once another domestic property owner has assumed liability for the person in question (by admitting him onto his property).

The invitation may be private (personal) or commercial, temporally limited or unlimited, concerning only housing (accommodation, residency) or housing and employment (but there cannot be a valid contract involving only employment and no housing). In any case, however, as a contractual relationship, every invitation may be revoked or terminated by the inviter; and upon termination, the invitee — whether tourist, visiting businessman, or resident alien — will be required to leave the country (unless another resident citizen enters an invitation-contract with him).

The invitee may lose his legal status as a non-resident or resident alien, who is at all times subject to the potential risk of immediate expulsion, only upon acquiring citizenship. In accordance with the objective of making all immigration (as trade) invited-contractual, the fundamental requirement for citizenship is the acquisition of property ownership, or more precisely the ownership of real estate and residential property.

In contrast, it would be inconsistent with the very idea of invited migration to award citizenship according to the territorial principle, as in the U.S., whereby a child born to a non-resident or resident alien in a host country automatically acquires this country's citizenship. In fact, such a child acquires, as most other high-wage-area governments recognize, the citizenship of his parents. For the host country's government to grant this child citizenship instead involves the non-fulfillment of its basic protective function, and actually amounts to an invasive act perpetrated by the government against its own citizenry. Rather, becoming a citizen means acquiring the right to stay in a country permanently, and a permanent invitation cannot be secured other than by purchasing residential property from a citizen resident. Only by selling real estate to a foreigner does a citizen indicate that he agrees to a guest's permanent stay (and only if the immigrant has purchased and paid for real estate and residential housing in the host country will he assume a permanent interest in his new country's well-being and prosperity). Moreover, finding a citizen willing to sell residential property and being prepared and able to pay for it, although a necessary requirement for the acquisition of citizenship, may not also be sufficient. If and insofar as the domestic property in question is subject to restrictive covenants, the hurdles to be taken by a prospective citizen may be significantly higher. In Switzerland, for instance, citizenship may require that the sale of residential property to foreigners be ratified by a majority of or even all directly affected local property owners.

Conclusion

Judged by the immigration policy required to protect one's own citizens from foreign invasion and forced integration — and to render all international population movements invited and contractual migrations — the Swiss government does a significantly better job than the United States. It is more difficult to enter Switzerland as an uninvited person or to stay on as an uninvited alien. In particular, it is far more difficult for a foreigner to acquire citizenship, and the legal distinction between resident citizens and resident aliens is more clearly preserved. These differences notwithstanding, the governments of both Switzerland and the U.S. pursue immigration policies that must be deemed far too permissive.

Moreover, the excessive permissiveness of their immigration policies and the resulting exposure of the Swiss and American population to forced integration with foreigners is aggravated by the fact that the extent of public property in both countries (and other high-wage areas) is quite substantial; that tax-funded welfare provisions are high and growing, and foreigners are not excluded; and that contrary to official pronouncements, even the adherence to free-trade policies is anything but perfect. Accordingly, in Switzerland, the U.S., and most other high-wage areas, popular protests against immigration policies have grown increasingly louder.

It has been the purpose of this essay not only to make the case for the privatization of public property, domestic laissez faire, and international free trade, but in particular also for the adoption of a restrictive immigration policy. By demonstrating that free trade is inconsistent with (unconditionally or conditionally) free immigration, and that free trade requires instead that migration be subject to the condition of being invited and contractual, it is our hope to contribute to more enlightened future policies in this area.

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Backgrounder

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Appearances to the contrary notwithstanding, I will argue that this thesis and its implicit claim are fundamentally mistaken. In particular, I will demonstrate that free trade and restricted immigration are not only perfectly consistent but even mutually reinforcing policies. That is, it is not the advocates of free trade and restricted immigration who are wrong, but rather the proponents of free trade and free immigration. In thus taking the "intellectual guilt" out of the free-trade-and-restricted-immigration position and putting it where it actually belongs, I hope to promote a change in the present state of public opinion and facilitate substantial political realignment.

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